

SECRET

DDI Chrono

DDI #06979-84/2
20 December 1984NOTE TO: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM : Deputy Director for Intelligence

SUBJECT: Costing the Soviet Defense Effort/Joint Economic
Committee Testimony []

25X1

1. As you are aware, Senator Proxmire formally requested dollar cost estimates on the Soviet defense expenditures at the Joint Economic Committee hearing. I told him we would provide those numbers. The three of us need to make decisions on three issues. []

25X1

2. The first issue is how much defense cost information to provide to the Committee. In the detailed draft assessment at Tab 1 we provide a great deal of dollar cost information very much along the lines of the past. Because it provides substantial additional context, it is the most thorough and informative account. Another alternative would be to release the one-page summary at Tab 2, although I would make some word changes in the final paragraph. This uses many fewer numbers and is much less revealing. These two inputs are from SOVA. []

25X1

3. A third alternative, which occurs to me, would be to combine the one-page summary of the ten-year trend at Tab 2 with the one-page summary of numbers for 1983 contained in Tab 1(B). This shows, among other things, that even with the substantial US increase in expenditures over the last several years and the decline in Soviet defense spending, they are still spending overall some 15% more than we are, 91% more on RDT&E and more than twice as much on strategic forces. This would combine the overall trend with current year numbers in a very abbreviated fashion and clearly would be a change in direction from what we have provided in the past -- and therefore consonant with our efforts to move away from high visibility dollar cost comparisons. []

25X1

4. The second issue concerns whether or not to declassify this material. While ultimately we may have to concede this issue, for all of the substantive reasons I have outlined in the past about our reservations on these numbers, and my desire that we try to avoid the politicizing of these numbers that occurs

SECRET

when they are made public, I would propose not to declassify this package. The Committee is likely to reclaim that decision, and I suppose at that point we would have to concede, but I would like at least to try to keep these easily distorted and misused numbers out of the debate over US defense expenditures. [redacted]

25X1

5. Finally, we've also received requests for this dollar cost comparison data from the Secretary of Commerce, General Rogers, OMB, OSD/DDR&E, the Director of Net Assessments, SAC and the SSCI. As I see it, we have three choices:

- Tell them all no (probably not enforceable, particularly with the SSCI).
- Give them the full paper at Tab 1, or
- Give them the same abbreviated, classified version that we give to the JEC. [redacted]

25X1

6. I guess I end up with the third option because the first one probably is not a sustainable position and the second puts us right back where we started, and would acknowledge total defeat in the effort to deemphasize dollar costing while relying more on both ruble costing and measuring burden. I still believe substantively this is the right way to go. Our policymakers have become deeply wedded, however, to a analytical product which they fundamentally do not understand in that they see it as a useful guide on a year to year basis in absolute terms of Soviet expenditures -- note OMB requests for information on O and M as well as overall costs. [redacted]

25X1

7. In sum, I recommend that we provide the abbreviated version at Tab 2 plus the table at Tab 1B; that I submit it initially to the JEC as Confidential; and that we respond to requests from other agencies with a copy of what we give the JEC. In the latter case, we will have answered the mail but at a minimal level. I am confident this saga is not over and even with this approach I may be back to you for further guidance.

25X1

25X1

[redacted]
Robert M. Gates

Attachments: three
As Stated

SECRET

DDI #06979-84/2

SUBJECT: Costing the Soviet Defense Effort/Joint Economic
Committee Testimony

25X1

CONCUR:

Deputy Director of Central Intelligence

Date

APPROVED/DISAPPROVED:

Director of Central Intelligence

Date

SECRET

SECRET

DDI #06979-84/2

SUBJECT: Costing the Soviet Defense Effort/Joint Economic
Committee Testimony

25X1

DDI/RMGates/de

DISTRIBUTION: (all copies with attachments)

25X1

0 - DCI/DDCI

1 - ER

1 - D/SOVA

1 - DDI Registry

1 - DDI Chrono

SECRET



SECRET

DDI- 06979-84

13 December 1984

MEMORANDUM FOR: Deputy Director for Intelligence

FROM: Douglas J. MacEachin
Director of Soviet Analysis

SUBJECT: The Release of Dollar Cost Comparisons of US
and Soviet Defense Costs

1. In your recent testimony before the Subcommittee on International Trade, Finance, and Security Economics of the Joint Economic Committee, Senator Proxmire asked if we would be "willing to make the dollar cost estimates available to the Subcommittee so the staff may examine them and report back to us." You responded that we would "provide to the Subcommittee the dollar cost figures that we have." [redacted]

25X1

2. The attachment at Tab A is the reply we propose that you forward to the JEC in response to Senator Proxmire's request. It is based on our most recent dollar series which runs through 1983. You will note that it is primarily a textual response which contains no tabular data or charts. While we could probably get away with just providing some numbers, our feeling is that the best way of preventing misuse is to keep the numbers in the right context. The draft JEC response tries to do that, and gives you a chance to pick and choose among the pieces if you want to be restrictive in your reply. The text describes general trends and gives single year data, but includes no line graphics from which series data could be reconstructed. This is clearly a more restricted response than, for example, our last published unclassified dollar paper (January 1981) which, in our view, was too detailed. [redacted]

25X1

3. How to respond to the JEC is part of a much larger problem that we need to come to grips with. Our dollar cost comparison data are being eagerly sought by requestors who represent a broad spectrum of interests. Requests have already been received from the Secretary of Commerce, General Rogers (SACEUR), OMB, OSD/DDR&E, the Director of Net Assessment, SAC, and the Senate select Committee on Intelligence. [redacted]

25X1

4. Thus far, we have been responding to these requests on an ad hoc basis. There are, however, no clear and established policy guidelines on what we can release and to whom. Clearly, while we have decided not to publish the data in a formal product, we recognize that the dollar cost comparisons cannot be completely withheld, nor was it the intent of the 25 July MFR to do so.

25X1

SECRET

SECRET

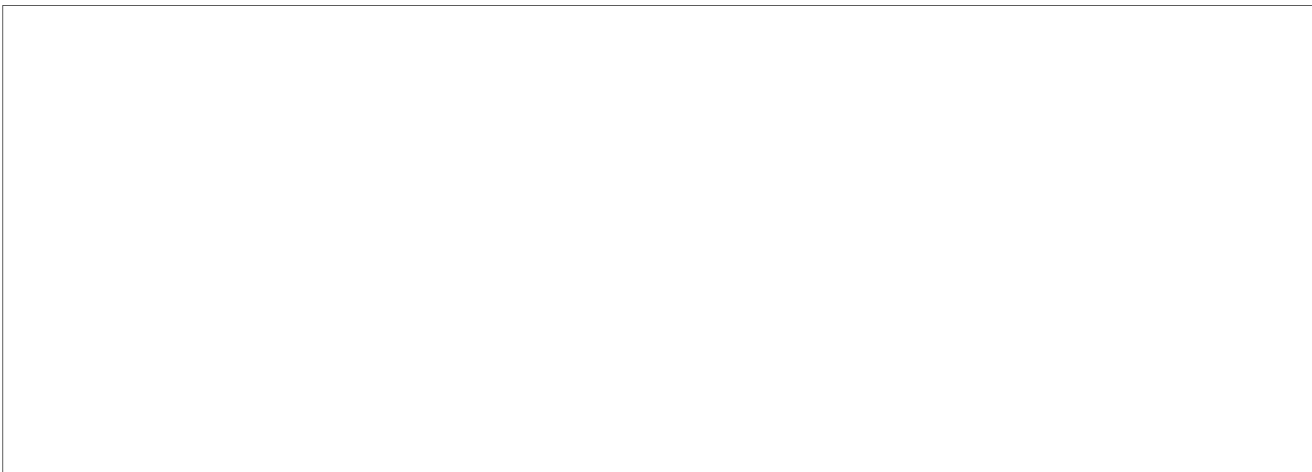
SUBJECT: The Release of Dollar Cost Comparisons of US
and Soviet Defense Costs

Moreover, if we release certain data to the JEC, these data will be available even if they are classified. We should therefore at a minimum provide that same data to the Executive Departments and perhaps, additional data as well as graphic presentations to more sophisticated users. In short, we need to develop a rational policy for releasing dollar cost comparison data which deals constructively and creatively with the tension between the legitimate needs of those in government and the Congress who require access to these data, and our own responsibility for guarding against their misuse.

25X1

5. Toward this end, I want to forward a proposal. We have developed a suggested approach to disseminating the dollar cost comparison data which is based on a three-tier classification/release system. This system is illustrated by the chart in Tab B.

- ° The first category are data which traditionally have been unclassified, which are difficult to misuse, and which require little interpretation. These would be the only data released to those requestors who are unfamiliar with the uses and limitations of the dollar cost estimates.
- ° The second category are data classified SECRET which are releasable. These data would include graphs and time series. Decisions as to what data to release and to whom would be based on the requestor's sophistication in using the data.



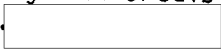
25X1

7. Developing a rational release policy is particularly important in light of suspicions among some of our customers that the decision to no longer publish the Dollar Paper was based, at least in part, on the trends that our latest estimates show. Because the large expenditure gaps of the mid-1970s

SECRET

SECRET

SUBJECT: The Release of Dollar Cost Comparisons of US
and Soviet Defense Costs

have narrowed significantly and, in some cases even reversed, our estimates are now less useful in supporting DoD requests. We therefore have become vulnerable to the perception that the disappearance of the dollar estimates was politically motivated. However unjustified such a perception might be, our integrity and credibility will be damaged should that perception become widespread. 

25X1



25X1

for Douglas J. MacEachin

SECRET

UNCLASSIFIED



ATTACHMENT A

PROPOSED RESPONSE TO JEC

UNCLASSIFIED

UNCLASSIFIED

(The following information was subsequently supplied for the record:)

A Comparison of US and Soviet Defense Activities

1973-83

Our latest comparisons of US and Soviet defense programs show that while the estimated annual dollar costs of Soviet defense activities still exceed US outlays, the gap has closed considerably since 1976. The narrowing of the "expenditure gap" has resulted from dissimilar growth patterns in the two countries. (U)

- ° The dollar costs of Soviet defense activities grew from 1973 to 1976 at an average annual rate of about 4.5 percent. After 1976, growth continued at a rate of less than 2 percent per year. The slower growth resulted primarily from a leveling off in procurement. Historically an important driver of Soviet defense growth, Soviet procurement experienced essentially no growth from 1976 through 1983. (U)
- ° US outlays for defense declined steadily through 1976, following a peak associated with the Vietnam war. They then began growing at an accelerating rate, averaging 5 percent annually through 1983. The US growth reflected increases in procurement and operations and maintenance costs. (U)

As a result of these trends, the estimated dollar costs of total Soviet defense activities exceeded US outlays by a widening margin from 1973 to 1976, when they were almost 50 percent greater. Since 1976, that margin has narrowed significantly. The estimated dollar costs of total Soviet programs in 1983 were \$234 billion, or 15 percent more than the comparable US outlays of \$204 billion. (U)

Resource Comparisons

These trends notwithstanding, the Soviet Union committed substantially more resources to defense activities than did the United States over the 1973-83 period. They procured more weapons of almost every type, operated larger forces, and pursued a greater research and development effort. Measured in constant calendar year 1983 dollars, the cumulative costs of Soviet defense activities for the 1973-83 period were about one third greater than comparable US defense outlays. (U)

The higher levels of resources committed by the Soviets to their defense programs are reflected in each of the major resource categories of investment, operating, and RDT&E. (U)

UNCLASSIFIED

UNCLASSIFIED

Investment. The cumulative dollar costs of Soviet investment activities for the 1973-83 period were about 60 percent greater than US investment outlays as a result of the much larger quantity of weapons and other equipment procured. Over this period, the Soviet Union:

- ° Fielded a fourth generation of ICBMs (SS-17, SS-18, SS-19) while the US focused on modernizing its existing missile force.
- ° Deployed nearly 40 ballistic missile submarines compared to three for the United States.
- ° Expanded its large inventory of intermediate-range nuclear weapons by deploying more than 300 SS-20 missiles, while the United States was just beginning to emphasize these systems.
- ° Devoted considerable resources to the modernization of its strategic defenses, particularly its interceptor and SAM forces.
- ° Procured three-and-a half times as many tanks and nine times as many armored personnel carriers as the United States.
- ° Procured almost twice as many new fighters and bombers for tactical air forces. (U)

The dollar costs of Soviet programs were about twice as high as US programs in the mid-1970s, but because of the later leveling off on Soviet procurement and accelerating growth in US outlays, the margin had been virtually eliminated by 1983. (U)

Operating. The dollar costs of Soviet operating activities--which slowly increased over the period--were about 15 percent larger than US operating expenses for the 1973-83 period, but were only 6 percent larger by 1983 because of a spurt in US growth in the last half of the decade. (U)

RDT&E. The dollar costs of Soviet RDT&E activities are estimated to have grown steadily over the period at an annual rate of more than 7 percent while US outlays remained fairly level. While we have much less confidence in these estimates than those for other Soviet activities, these estimates--which are about three-fourths greater than US RDT&E outlays for the period--are a rough indicator of the difference in magnitude in the two countries' efforts. (U)

Military Mission Comparisons

The relative levels of US and Soviet commitments to different force components can be seen in a comparison of the major US and Soviet mission costs. (U)

UNCLASSIFIED

UNCLASSIFIED

Strategic Forces. The estimated dollar costs (excluding RDT&E) of Soviet strategic forces for the 1973-83 period were three times as great as US strategic outlays, partly because of Soviet emphasis on the peripheral attack mission--for which the United States has no defined counterpart--and on strategic defense, for which Soviet investment and operating levels far surpassed those of the United States. In 1983, however, US outlays for the procurement of intercontinental attack forces (bombers, submarines, and missiles) had exceeded comparable Soviet dollar costs for the first time since 1966. Growth in US outlays for the intercontinental attack mission has been driven largely by the strategic bomber element which includes ALCM procurement, avionics improvements, the cost of operating and maintaining an aging bomber force, and lead costs associated with the B-1 bomber. Although comparable dollar costs for Soviet intercontinental attack forces have been declining since 1976, the Soviets appear to be on the verge of undertaking a broad-based modernization program for these forces that could last through the end of the decade. (U)

General Purpose Forces. The estimated dollar costs of Soviet general purpose forces--land, tactical air, general purpose naval, and mobility forces--were about 50 percent greater than comparable US outlays for the period, primarily because of the Soviet resources devoted to modernizing maintaining, and operating their massive ground forces. For the tactical air and mobility components, US outlays for the period were greater than estimated Soviet costs. US naval outlays were almost equal to the comparable dollar costs of Soviet activities. In 1983, US outlays for general purpose forces procurement had more than doubled their 1976 level and had exceeded comparable Soviet dollar costs. (U)

UNCLASSIFIED

UNCLASSIFIED

ATTACHMENT B

I. UNCLASSIFIED DATA

(EXAMPLES OF THE KINDS OF RELEASE WE ARE PROPOSING)

UNCLASSIFIED

UNCLASSIFIED

MOST RECENT YEAR DATA: 1983

(Billions of Calendar Year 1983 Dollars)

	<u>Soviet</u>	<u>US</u>	<u>Soviet as % of US</u>
I. <u>Total Defense Spending</u>	234	204	115
II. <u>Resource Categories</u>			
Investment	66	65	101
Operating	122	115	106
RDT&E	46	24	191
III. <u>Mission Areas</u>			
Strategic Forces	36	17	211
General Purpose Forces	84	76	110
Support	67	86	80

UNCLASSIFIED

Page Denied

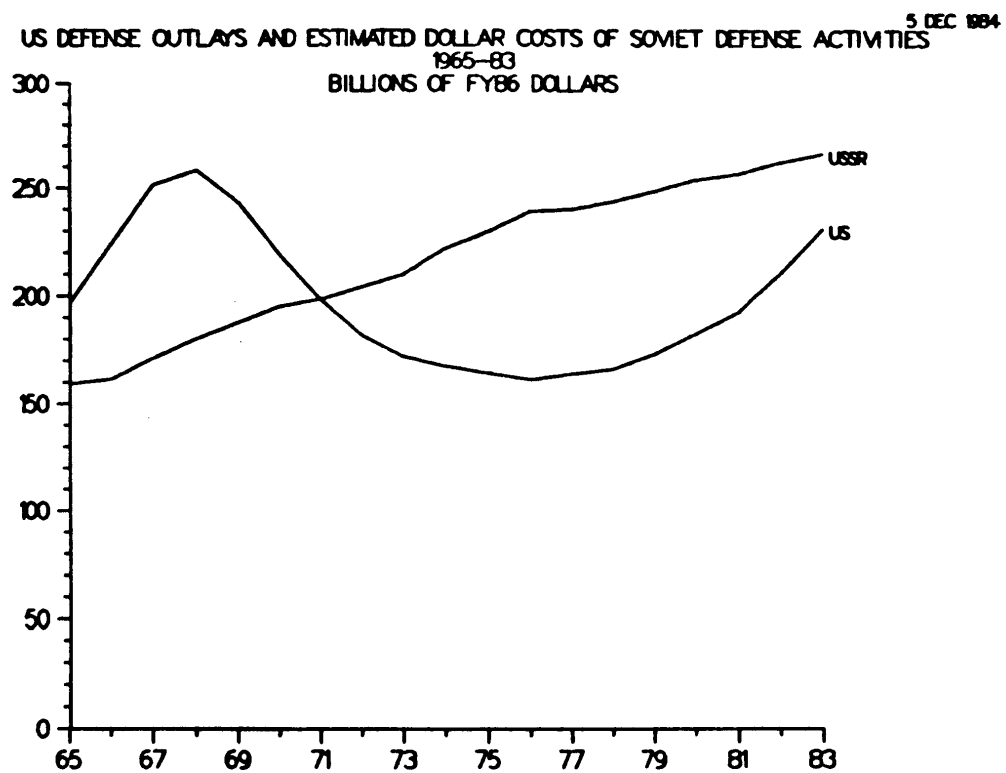
Next 1 Page(s) In Document Denied

SECRET

II. CLASSIFIED DATA RELEASABLE

SECRET

SECRET



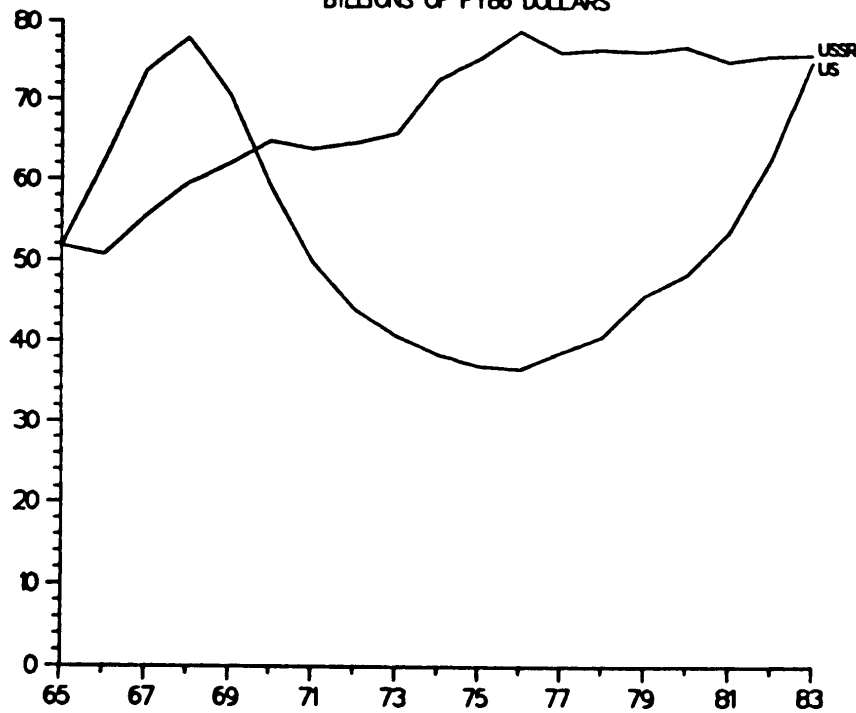
25X1

SECRET

SECRET

US OUTLAYS AND ESTIMATED COSTS OF US AND SOVIET MILITARY INVESTMENT, 1965-83
BILLIONS OF FY86 DOLLARS

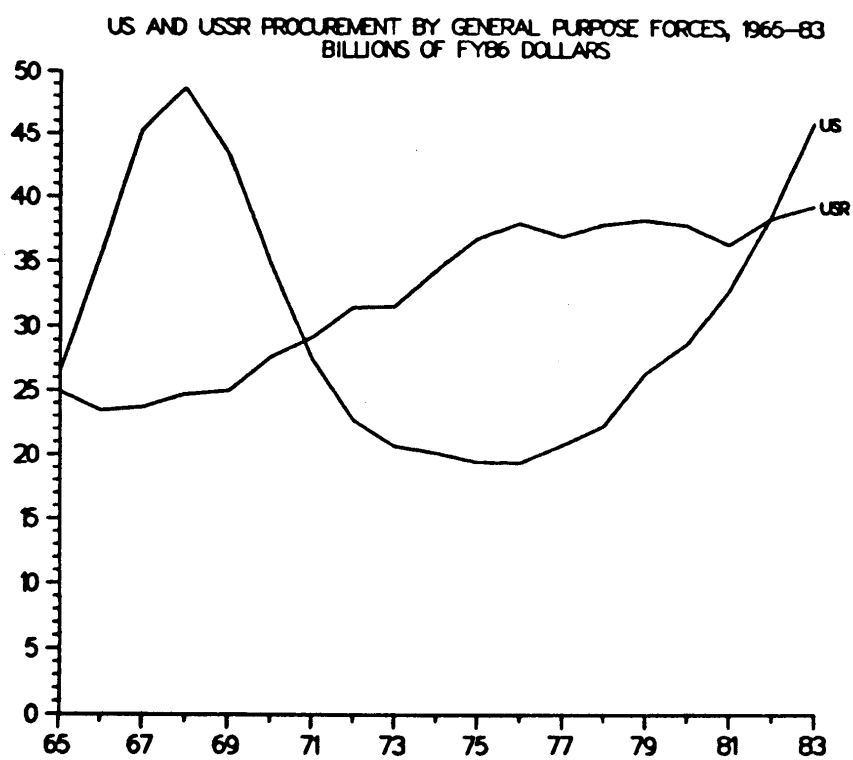
5 DEC 1984



25X1

SECRET

SECRET



25X1

SECRET

Page Denied

Next 2 Page(s) In Document Denied

SECRET

SUBJECT: The Release of Dollar Comparisons of Soviet and US Defense Costs

DISTRIBUTION:

Original - Addressee, w/att.

25X1

1 - D/SOVA, w/att.

1 - DD/SOVA, w/att.

1 - C/EAD, w/att.

1 - C/EA/C, w/att.

1 - EAD Chrono, w/att.

1 - EA/C, w/att.

DDI/SOVA/EA/C

(4 Dec 84)

SECRET



CONFIDENTIAL

06979/84/1

19 December 1984

MEMORANDUM FOR: Deputy Director for Intelligence

FROM: Douglas J. MacEachin
Director of Soviet Analysis

SUBJECT: Joint Economic Testimony

Bob

1. Attached is a draft of a "low case" response to your agreement to provide the JEC with US-Soviet defense cost comparisons. Also attached is the earlier draft that was more complete. The "low case" draft has none of the detail of the longer version and also provides little context for interpreting the data.

2. Besides a decision on the content of the JEC submission, we also need a decision on classification. [redacted]

[redacted] the data in the "low case" draft would traditionally be considered unclassified. There are some figures in the longer version that would normally be classified SECRET. In any event, we need a decision before we can finalize the JEC response.

25X1
25X1

3. Once we have an approach to the JEC--on both content and classification--I assume we can use that as a guide for responses to other requestors like DoD and OMB. As my earlier memo indicated, we then need to decide:

- ° How we get the JEC material out to other interested consumers before the JEC does, especially since we have already denied their earlier requests (OMB, for example).
- ° Whether we give regular consumers anything more than we give the JEC, even with the understanding that they cannot include the information in any formal publication.

[redacted]

Douglas J. MacEachin

25X1

Attachments:
As Stated

CONFIDENTIAL

UNCLASSIFIED

A Comparison of US and Soviet Defense Activities

1973-1983

The Soviet Union committed substantially more resources to defense activities than did the United States over the 1973-83 period. Measured in constant calendar year 1983 dollars:

- ° The cumulative costs of Soviet defense activities were about one-third greater than comparable US outlays.
- ° The cumulative costs of Soviet investment--military procurement and construction--were 60 percent greater than US investment outlays because of the much larger quantity of weapons and other equipment produced.
- ° The cumulative costs of Soviet RDT&E activities are estimated to have grown steadily and were about three-fourths greater than US RDT&E outlays for the period.
- ° The cumulative costs of Soviet operating activities were about 15 percent larger than US operating expenses.
- ° The cumulative costs (excluding RDT&E) of Soviet strategic forces were three times as great as US strategic outlays. For general purpose forces, cumulative Soviet costs exceeded US outlays by about 50 percent.

Comparisons on a year-by-year basis show that while the estimated dollar costs of Soviet defense activities still exceed US outlays, the gap has closed considerably. The narrowing of the "expenditure gap" has resulted from dissimilar growth patterns in the two countries. The dollar costs of Soviet military procurement, historically an important driver of Soviet defense growth, has experienced no growth since 1976, resulting in slower overall growth. In contrast, US outlays for defense have been growing at an increasing rate over the past several years. As a result of these trends, the estimated dollar costs of total Soviet defense activities, which were almost 50 percent greater than comparable US outlays in the mid-1970s, were only 15 percent greater in 1983, and the Soviet margin in military investment had been virtually eliminated by then.

UNCLASSIFIED